

Editorial: Striking a balance of power - People need fair rates, Alabama Power needs a fair return

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Whether it was all a dog and pony show or a model approach that should be followed in the future is open to debate, but the Public Service Commission's recent hearings on Alabama Power Co. did serve to underscore the fact that fair and reasonable utility regulation is not easily accomplished.

It's a balancing act, and Alabamians are well justified in wondering whether the PSC can handle it.

Much was said at the hearings about Alabama Power's record of reliability in providing service, its standing as a respected company and its performance as a corporate citizen. None of that, however, was seriously in dispute.

Alabama Power is a reliable provider of electricity to its customers.

It is a solid corporate citizen that contributes in many ways that help improve life in our state. Of course, most efforts to help the state grow and prosper will in time benefit the company as well, but that doesn't diminish the good it does across the state.

The point of PSC hearings should not be to pat that broad and influential corporate back, but to ensure that the company's rates strike the critical balance between the interests of customers and the legitimate business interests of the company.

A rate-setting structure that has been in place for 30 years plainly needed to be reviewed.

Commissioner Terry Dunn called for formal rate hearings, but his colleagues, Commissioner Jeremy Oden and PSC President Twinkle Andress Cavanaugh, would have none of it.

Instead, Alabamians got a sort of watery Diet Coke version of rate hearings instead of the real thing. Thus came all the praise for the company and the scripted comments Dunn pointedly derided.

The real issue is the company's permitted rate of return on equity, a 13-14.5 percent range that has been in place since Ronald Reagan was in his first term as president. A lot has changed since then, so it is hardly a stretch to wonder whether that rate range is still valid.

Dunn said he expects the PSC staff to recommend some lowering of the rate range.

Cavanaugh said she expects "real changes," whatever that may mean.

A decision is likely by the PSC's September meeting.

Even so, the question of the balancing act is unresolved. Is the PSC just looking for some modest lowering of rates that will save customers a few bucks, as happened in the hearings for Mobile Gas, and give the commission a little political boost?

If that's the case, it could have done that long before now.

Or will the decision be fair to Alabama Power and thus to customers?

In a sense it's really the same thing.

Customers need reasonable rates and reliable service, but Alabama Power needs rates that let it earn returns that make it possible to profitably provide that service.

It's easy to tilt too far in one direction or the other.

The PSC's justification for this decision, whatever it is, must be clearly and candidly stated.